

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2015

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## Lawton-Bronson Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Steve Olson	President	2017
Molly Holtz	Vice President	2015
Machele Dunning	Board Member (Resigned September 2014)	2017
Shelley Junck	Board Member	2015
Jesse Pedersen	Board Member	2017
Kristie Amick	Board Member (Appointed September 2014)	2015
<b>School Officials</b>		
Jeffrey Thelander	Superintendent	2015
Kimberly Brouwer	District Secretary/ Business Manager	2015
Ahlers & Cooney	Attorney	2015

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of Lawton-Bronson Community School District:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lawton-Bronson Community School District, Bronson, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lawton-Bronson Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Emphasis of Matter**

As discussed in Note 17 to the financial statements, Lawton-Bronson Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2009 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2016, on our consideration of Lawton-Bronson Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lawton-Bronson Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016  
Newton, Iowa

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Lawton-Bronson Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,174,170 in fiscal year 2014 to \$6,499,067 in fiscal year 2015, while General Fund expenditures increased from \$6,210,295 in fiscal year 2014 to \$6,581,822 in fiscal year 2015. The District's General Fund balance decreased from \$757,094 at June 30, 2014 to \$674,339 at June 30, 2015.
- The increase in General Fund revenues was attributable to increases in local tax revenues received in fiscal year 2015 compared to the previous year. The increase in expenditures is due to an increase in instruction expenditures incurred as compared to the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Lawton-Bronson Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lawton-Bronson Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lawton-Bronson Community School District acts solely as an agent or custodial for the benefit of those outside of the District.

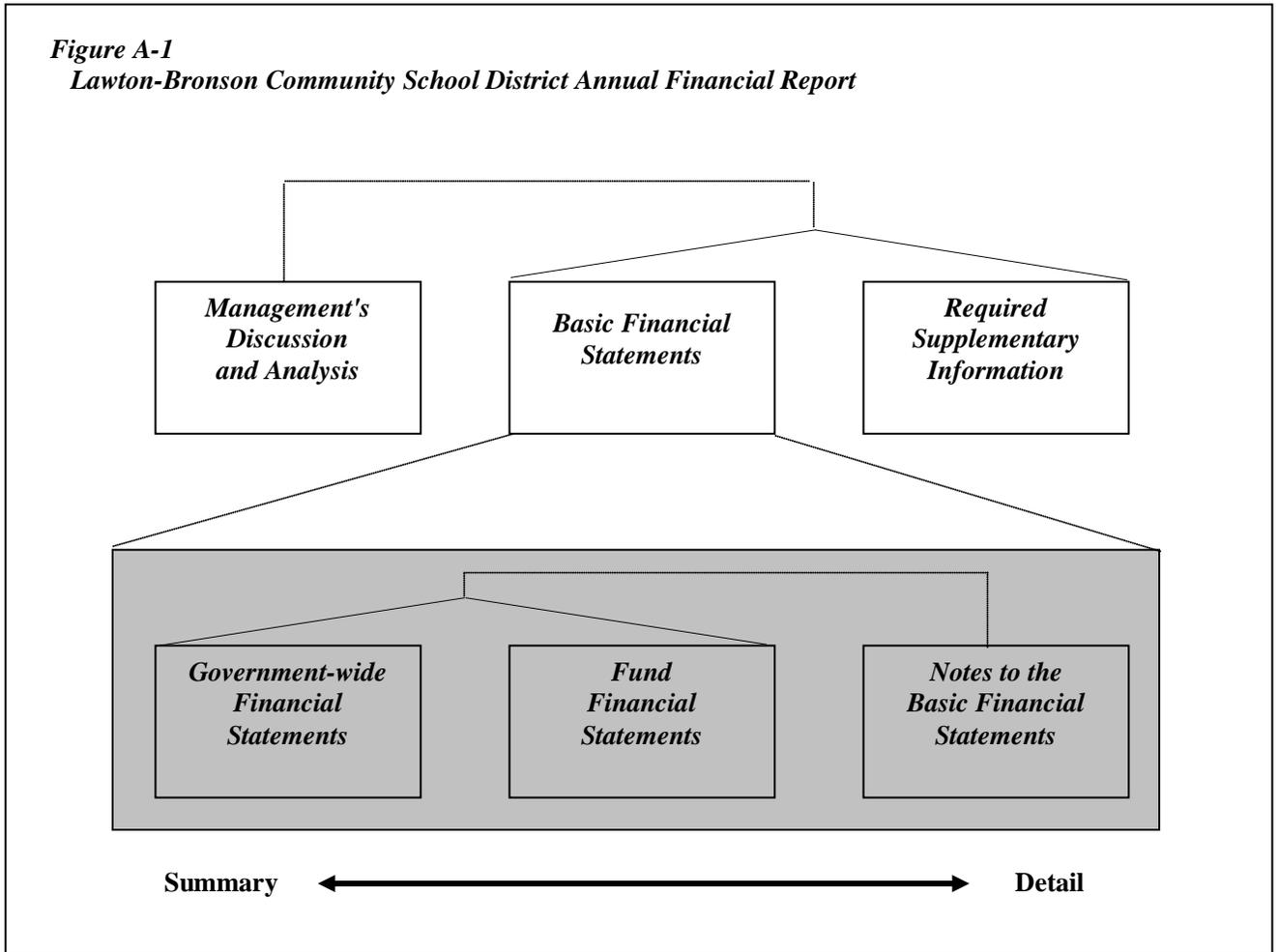
Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Lawton-Bronson Community School District Annual Financial Report**



*Figure A-2* summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service, fitness center, preschool and before and after school	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year’s revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition, fitness center, preschool and before and after school programs is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has four enterprise funds, the School Nutrition Fund, the Fitness Center, the Preschool and the Before and After the Bell Funds.

The required financial statements for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Private Purpose Trust fund.
  - Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliation between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

*Figure A-3* below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 5,611,910	5,507,141	102,915	83,831	5,714,825	5,590,972	2.22%
Capital assets	13,631,458	13,905,178	241,600	254,940	13,873,058	14,160,118	-2.03%
Total assets	19,243,368	19,412,319	344,515	338,771	19,587,883	19,751,090	-0.83%
Deferred outflows of resources	517,890	-	25,675	-	543,565	-	100.00%
Long-term liabilities	8,408,626	6,880,228	108,761	870	8,517,387	6,881,098	23.78%
Other liabilities	978,977	985,859	6,649	5,281	985,626	991,140	-0.56%
Total liabilities	9,387,603	7,866,087	115,410	6,151	9,503,013	7,872,238	20.72%
Deferred inflows of resources	3,769,620	2,883,200	40,955	-	3,810,575	2,883,200	32.16%
Net position:							
Net investment in capital assets	7,356,458	7,125,178	241,600	254,940	7,598,058	7,380,118	2.95%
Restricted	1,338,688	1,266,860	-	-	1,338,688	1,266,860	5.67%
Unrestricted	(2,091,111)	270,994	(27,775)	77,680	(2,118,886)	348,674	-707.70%
Total net position	\$ 6,604,035	8,663,032	213,825	332,620	6,817,860	8,995,652	-24.21%

The District's combined net position decreased by \$2,177,792 or 24.21% from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$71,828 or 5.67% from the prior year. The increase in restricted fund balance was primarily a result of the increase amounts restricted for Management Levy purposes and for School Infrastructure as compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$2,467,560 or 707.70%. The decrease in unrestricted net position is primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,464,713 and \$129,722, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Figure A-4** shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15	
Revenues:								
Program revenues:								
Charges for service	\$ 886,971	793,492	292,106	274,514	1,179,077	1,068,006	10.40%	
Operating grants, contributions and restricted interest	569,729	528,484	118,206	120,812	687,935	649,296	5.95%	
General revenues:								
Property tax	2,891,134	2,816,554	-	-	2,891,134	2,816,554	2.65%	
Income surtax	156,475	148,675	-	-	156,475	148,675	5.25%	
Statewide sales, service and use tax	577,717	543,706	-	-	577,717	543,706	6.26%	
Unrestricted state grants	3,005,538	3,025,891	-	-	3,005,538	3,025,891	-0.67%	
Unrestricted investment earnings	3,017	3,233	18	70	3,035	3,303	-8.11%	
Other	42,123	34,380	2,852	1,067	44,975	35,447	26.88%	
Total revenues	<u>8,132,704</u>	<u>7,894,415</u>	<u>413,182</u>	<u>396,463</u>	<u>8,545,886</u>	<u>8,290,878</u>	<u>3.08%</u>	
Program expenses:								
Instruction	4,801,384	4,311,980	69,139	76,035	4,870,523	4,388,015	11.00%	
Support services	2,029,015	2,191,782	19,057	21,057	2,048,072	2,212,839	-7.45%	
Non-instructional programs	-	-	317,153	306,544	317,153	306,544	3.46%	
Other expenses	893,495	900,862	-	-	893,495	900,862	-0.82%	
Total expenses	<u>7,723,894</u>	<u>7,404,624</u>	<u>405,349</u>	<u>403,636</u>	<u>8,129,243</u>	<u>7,808,260</u>	<u>4.11%</u>	
Excess(Deficiency) of revenues over(under) expenses	408,810	489,791	7,833	(7,173)	416,643	482,618	-13.67%	
Transfers	(3,094)	(2,180)	3,094	2,180	-	-	0.00%	
Change in net position	405,716	487,611	10,927	(4,993)	416,643	482,618	-13.67%	
Net position beginning of year, as restated	<u>6,198,319</u>	<u>8,175,421</u>	<u>202,898</u>	<u>337,613</u>	<u>6,401,217</u>	<u>8,513,034</u>	<u>-24.81%</u>	
Net position end of year	<u>\$ 6,604,035</u>	<u>8,663,032</u>	<u>213,825</u>	<u>332,620</u>	<u>6,817,860</u>	<u>8,995,652</u>	<u>-24.21%</u>	

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 81.53% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.31% of the revenue from business type activities.

The District's total revenues were approximately \$8.54 million of which approximately \$8.13 million was for governmental activities and approximately \$0.41 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.08% increase in revenues and a 4.11% increase in expenses. The increase in revenues is primarily due to an increase in charges for service revenue received by the District as compared to the prior year. The increase in expenses is primarily related to an increase in instruction expenses incurred as compared to the prior year.

### Governmental Activities

Revenues for governmental activities were \$8,132,704 and expenses were \$7,723,894 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 4,801,384	4,311,980	11.35%	3,703,763	3,244,923	14.14%
Support services	2,029,015	2,191,782	-7.43%	1,922,688	2,184,741	-11.99%
Other expenses	893,495	900,862	-0.82%	640,743	652,984	-1.87%
Totals	<u>\$ 7,723,894</u>	<u>7,404,624</u>	<u>4.31%</u>	<u>6,267,194</u>	<u>6,082,648</u>	<u>3.03%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$886,971.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$569,729.
- The net cost of governmental activities was financed with \$2,891,134 in property tax, \$156,475 in income surtax, \$577,717 in statewide sales, services and use tax, \$3,005,538 in unrestricted state grants, \$3,017 in interest income and \$42,123 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$413,182 and expenses were \$405,349 for the year ended June 30, 2015. The District's business type activities include the School Nutrition Fund, the Fitness Center, the Preschool and the Before and After School programs. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Lawton-Bronson Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,528,487 compared to last year's ending combined fund balances of \$1,545,427. The primary reason for the decrease in combined fund balances is due to the decrease in ending fund balances of the General Fund as compared to the previous year.

### **Governmental Fund Highlights**

- The District's General Fund financial position is a product of many factors. The Fund balance of the General Fund decreased from \$757,094 at June 30, 2014 to \$674,339 at June 30, 2015. Total revenues increased as compared to the prior year primarily due to an increase in local tax revenue received and total expenditures increased primarily due to instruction costs incurred. Total expenditures outpaced total revenues for the year ensuring a decrease in ending fund balance.
- The Capital Projects Fund balance increased from \$537,169 at June 30, 2014 to \$619,578 at June 30, 2015. This increase was primarily due to an increase in statewide sales, services and use tax revenue received as compared to the prior year. The District also received \$75,133 from the sale of a duplex during fiscal year 2015.
- The Debt Service Fund balance decreased during the year from \$1,574 at June 30, 2014 to \$2,979 at June 30, 2015. The increase is due in part to an increase in local tax revenue received as compared to the prior year.

### **Proprietary Fund Highlights**

- The School Nutrition Fund net position decreased from a net position of \$53,928 restated July 1, 2014 to \$53,799 at June 30, 2015, representing a decrease of 0.24%. The decrease in net position was primarily due to an increase in salaries and benefits paid during the year.
- The Fitness Center Fund net position decreased from \$180,993 at June 30, 2014 to \$178,124 at June 30, 2015, representing a decrease of 1.59%. The decrease in net position is mainly attributable to the decrease in charges for services revenues received as compared to the prior year.
- The Preschool Fund net position increased from net position of \$6,558 restated July 1, 2014 to \$9,780 at June 30, 2015, representing an increase of 49.13%. The increase in net position is primarily due to a decrease in salaries and benefit expense incurred as compared to the prior year.
- The Before and After School Fund net position increased from a deficit of \$38,581 restated July 1, 2014 to deficit \$27,878 at June 30, 2015, representing an increase of 27.74%. This increase was primarily a result of an increase in charges for service revenue received compared to the prior year.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$50,796 more than budgeted revenues, a variance of 0.60%. The primary reason for this variance is due to the District receiving more state sources than originally anticipated.

Total expenditures were more than budgeted, due primarily to the budget for the General Fund. The District no longer budgets expenditures at the maximum authorized spending authority for the General Fund. The District budgets for expenditures that may be incurred throughout the year but not to the maximum amount authorized. A line-item budget is used to manage and control the General Fund spending with even greater detail. Amendments to the budget will be made before spending exceeds the certified budget if forecasts appear that expenditures will soon exceed the certified budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and other expenditures functions as well as in total.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2015, the District had invested \$13,873,058 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a decrease of 2.03% from the prior year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$530,920.

The original cost of the District's capital assets was 19,276,386. Governmental activities accounted for \$18,768,061 with the remaining \$508,325 accounted for in the District's business type activities.

The largest dollar change in capital asset activity during the year occurred in buildings category. The District's buildings decreased from \$12,900,449 at June 30, 2014 to \$12,614,215 at June 30, 2015. This decrease was primarily a result of annual depreciation expense incurred during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 283,677	283,677	-	-	283,677	283,677	0.00%
Buildings	12,447,960	12,730,140	166,254	170,309	12,614,214	12,900,449	-2.22%
Land improvements	388,523	353,323	-	-	388,523	353,323	9.96%
Machinery and equipment	511,298	538,038	75,346	84,631	586,644	622,669	-5.79%
Total	\$ 13,631,458	13,905,178	241,600	254,940	13,873,058	14,160,118	-2.03%

### Long-Term Debt

At June 30, 2015, the District had general obligation bonds and other long-term debt outstanding of \$8,517,387 in general obligation bonds and other long-term debt outstanding. This represents a 23.78% increase from the previous year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonds of \$5,380,000 at June 30, 2015 payable from the Debt Service Fund.

The District had outstanding revenue bonds of \$895,000 at June 30, 2015 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had termination benefits of \$31,123 outstanding at June 30, 2015 payable from the Special Revenue, Management Levy Fund.

The District had a total net pension liability of \$2,147,761 at June 30, 2015. \$2,040,372 of this total is attributed to the District's governmental activities while \$107,389 is attributed to the District's business type activities.

The District had a total net OPEB liability of \$63,503 at June 30, 2015. \$62,131 of this total is attributed to the District's governmental activities while \$1,372 is attributed to the District's business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District	Total Change	
	June 30,		June 30,		June 30,	June 30,	
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
General obligation bonds	\$ 5,380,000	5,685,000	-	-	5,380,000	5,685,000	-5.36%
Revenue bonds	895,000	1,095,000	-	-	895,000	1,095,000	-18.26%
Termination benefits	31,123	60,800	-	-	31,123	60,800	-48.81%
Net pension liability	2,040,372	-	107,389	-	2,147,761	-	100.00%
Net OPEB liability	62,131	39,428	1,372	870	63,503	40,298	57.58%
<b>Total</b>	<b>\$ 8,408,626</b>	<b>6,880,228</b>	<b>108,761</b>	<b>870</b>	<b>8,517,387</b>	<b>6,881,098</b>	<b>23.78%</b>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Enrollment continues to be the main factor that will determine the District's future. While enrollment for the district is reasonably stable there was a decrease in enrollment in the fall of 2015. Housing for people interested in moving into the district continues to be very limited. Unless additional housing projects open up in the District, increased enrollment if any would primarily come from potential open enrollments. While total enrollment was down, certain grades are up in enrollment which will need to be continually monitored to ensure that we have the effective student/teacher ratios and facility space.
- State funding has become a significant problem for the district. Inadequate funding over multiple years has made a significant burden keep programs all programs that are currently being offered. The State has again failed to set an amount for supplemental state aid so the District must plan based on scenarios and not actual numbers. The District has explored any funding sources available to them including passing an increase to the ISL levy from 5% to 10% starting with the 2015 fiscal year and also incentives for sharing positions. The District is working with community members to work to start a foundation to support implementation of programs for the District and to assist in supporting existing programs when state funding is inadequate.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kimberly Brouwer, District Board Secretary/Business Manager, Lawton-Bronson Community School District, 113 W 1<sup>st</sup> St, Bronson, Iowa, 51007.

BASIC FINANCIAL STATEMENTS

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,835,451	162,300	1,997,751
Receivables:			
Property tax:			
Delinquent	29,642	-	29,642
Succeeding year	2,991,481	-	2,991,481
Income surtax	143,960	-	143,960
Accounts	7,566	104	7,670
Due from(to) other funds	67,068	(67,068)	-
Due from other governments	520,763	-	520,763
Inventories	-	7,579	7,579
Unamortized bond issue costs and discounts	15,979	-	15,979
Capital assets, net of accumulated depreciation:			
Land	283,677	-	283,677
Buildings	12,447,960	166,254	12,614,214
Land improvements	388,523	-	388,523
Machinery and equipment	511,298	75,346	586,644
<b>Total assets</b>	<b>19,243,368</b>	<b>344,515</b>	<b>19,587,883</b>
<b>Deferred outflows of resources:</b>			
Pension related deferred outflows	517,890	25,675	543,565
<b>Liabilities</b>			
Accounts payable	177,989	1,855	179,844
Salaries and benefits payable	754,014	-	754,014
Accrued interest payable	46,974	-	46,974
Unearned revenue	-	4,794	4,794
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	320,000	-	320,000
Revenue bonds payable	215,000	-	215,000
Termination benefits payable	13,295	-	13,295
Portion due after one year:			
General obligation bonds payable	5,060,000	-	5,060,000
Revenue bonds payable	680,000	-	680,000
Termination benefits payable	17,828	-	17,828
Net pension liability	2,040,372	107,389	2,147,761
Net OPEB liability	62,131	1,372	63,503
<b>Total liabilities</b>	<b>9,387,603</b>	<b>115,410</b>	<b>9,503,013</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable property tax revenue	2,991,481	-	2,991,481
Pension related deferred inflows	778,139	40,955	819,094
<b>Total deferred inflows of resources</b>	<b>3,769,620</b>	<b>40,955</b>	<b>3,810,575</b>
<b>Net position</b>			
Net investment in capital assets	7,356,458	241,600	7,598,058
Restricted for:			
Categorical funding	487,686	-	487,686
Management levy purposes	163,709	-	163,709
Student activities	67,715	-	67,715
School infrastructure	448,180	-	448,180
Physical plant & equipment levy	171,398	-	171,398
Unrestricted	(2,091,111)	(27,775)	(2,118,886)
<b>Total net position</b>	<b>\$ 6,604,035</b>	<b>213,825</b>	<b>6,817,860</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,214,689	469,611	79,170	(2,665,908)	-	(2,665,908)
Special	580,365	39,786	55,638	(484,941)	-	(484,941)
Other	1,006,330	303,810	149,606	(552,914)	-	(552,914)
	<u>4,801,384</u>	<u>813,207</u>	<u>284,414</u>	<u>(3,703,763)</u>	<u>-</u>	<u>(3,703,763)</u>
Support services:						
Student	148,157	-	-	(148,157)	-	(148,157)
Instructional staff	199,849	-	3,584	(196,265)	-	(196,265)
Administration	706,171	73,764	17,767	(614,640)	-	(614,640)
Operation and maintenance of plant	512,273	-	-	(512,273)	-	(512,273)
Transportation	462,565	-	11,212	(451,353)	-	(451,353)
	<u>2,029,015</u>	<u>73,764</u>	<u>32,563</u>	<u>(1,922,688)</u>	<u>-</u>	<u>(1,922,688)</u>
Long-term debt interest	278,270	-	-	(278,270)	-	(278,270)
Other expenses:						
AEA flowthrough	252,752	-	252,752	-	-	-
Depreciation(unallocated)*	362,473	-	-	(362,473)	-	(362,473)
	<u>615,225</u>	<u>-</u>	<u>252,752</u>	<u>(362,473)</u>	<u>-</u>	<u>(362,473)</u>
Total governmental activities	<u>7,723,894</u>	<u>886,971</u>	<u>569,729</u>	<u>(6,267,194)</u>	<u>-</u>	<u>(6,267,194)</u>
Business type activities:						
Instruction:						
Regular	69,139	76,950	2,323	-	10,134	10,134
Support services:						
Administration	48	-	-	-	(48)	(48)
Operation and maintenance of plant	19,009	-	-	-	(19,009)	(19,009)
Total support services	<u>19,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,057)</u>	<u>(19,057)</u>
Non-instructional programs:						
Food service operations	316,553	197,827	115,733	-	(2,993)	(2,993)
Fitness center	600	2,751	150	-	2,301	2,301
Preschool	-	14,578	-	-	14,578	14,578
Total non-instructional programs:	<u>317,153</u>	<u>215,156</u>	<u>115,883</u>	<u>-</u>	<u>13,886</u>	<u>13,886</u>
Total business type activities	<u>405,349</u>	<u>292,106</u>	<u>118,206</u>	<u>-</u>	<u>4,963</u>	<u>4,963</u>
Total	<u>\$ 8,129,243</u>	<u>1,179,077</u>	<u>687,935</u>	<u>(6,267,194)</u>	<u>4,963</u>	<u>(6,262,231)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 2,298,325	-	2,298,325
Debt service				527,987	-	527,987
Capital outlay				64,822	-	64,822
Income surtax				156,475	-	156,475
Statewide sales, services and use tax				577,717	-	577,717
Unrestricted state grants				3,005,538	-	3,005,538
Unrestricted investment earnings				3,017	18	3,035
Other general revenues				42,123	2,852	44,975
Transfers				(3,094)	3,094	-
Total general revenues and transfers				<u>6,672,910</u>	<u>5,964</u>	<u>6,678,874</u>
Change in net position				405,716	10,927	416,643
Net position beginning of year, as restated				<u>6,198,319</u>	<u>202,898</u>	<u>6,401,217</u>
Net position end of year				<u>\$ 6,604,035</u>	<u>213,825</u>	<u>6,817,860</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,018,326	572,830	2,661	241,634	1,835,451
Receivables:					
Property tax:					
Delinquent	21,861	653	5,318	1,810	29,642
Succeeding year	2,261,760	65,788	488,933	175,000	2,991,481
Income surtax	143,960	-	-	-	143,960
Due from other funds	107,518	-	-	-	107,518
Accounts	4,021	-	-	3,545	7,566
Due from other governments	431,426	89,287	-	50	520,763
<b>Total assets</b>	<b>\$ 3,988,872</b>	<b>728,558</b>	<b>496,912</b>	<b>422,039</b>	<b>5,636,381</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Due to other funds	\$ -	35,036	5,000	414	40,450
Accounts payable	154,799	8,156	-	15,034	177,989
Salaries and benefits payable	754,014	-	-	-	754,014
<b>Total liabilities</b>	<b>908,813</b>	<b>43,192</b>	<b>5,000</b>	<b>15,448</b>	<b>972,453</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,261,760	65,788	488,933	175,000	2,991,481
Income surtax	143,960	-	-	-	143,960
<b>Total deferred inflows of resources</b>	<b>2,405,720</b>	<b>65,788</b>	<b>488,933</b>	<b>175,000</b>	<b>3,135,441</b>
Fund balances:					
Restricted for:					
Categorical funding	487,686	-	-	-	487,686
Debt service	-	-	2,979	-	2,979
Management levy purposes	-	-	-	194,832	194,832
Student activities	-	-	-	67,715	67,715
School infrastructure	-	448,180	-	-	448,180
Physical plant and equipment	-	171,398	-	-	171,398
Unassigned:					
General	186,653	-	-	-	186,653
Student activities	-	-	-	(30,956)	(30,956)
<b>Total fund balances</b>	<b>674,339</b>	<b>619,578</b>	<b>2,979</b>	<b>231,591</b>	<b>1,528,487</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,988,872</b>	<b>728,558</b>	<b>496,912</b>	<b>422,039</b>	<b>5,636,381</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>	\$	1,528,487
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		13,631,458
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(46,974)
Bond issue costs and bond discounts are an expense when incurred in the governmental funds, but are capitalized and amortized over the life of the bonds for the government-wide financial statements.		15,979
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		143,960
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 517,890	
Deferred inflows of resources	<u>(778,139)</u>	(260,249)
Long-term liabilities, including bonds payable, termination benefits payable, other postemployment benefits payable and the net pension liability are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds.		<u>(8,408,626)</u>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>6,604,035</u></u></b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,261,631	64,822	527,987	175,488	3,029,928
Tuition	507,185	-	-	-	507,185
Other	182,377	338	8	269,596	452,319
Intermediate sources	4,907	-	-	-	4,907
State sources	3,356,799	577,717	-	-	3,934,516
Federal sources	186,168	-	-	-	186,168
Total revenues	<u>6,499,067</u>	<u>642,877</u>	<u>527,995</u>	<u>445,084</u>	<u>8,115,023</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,159,806	96,681	-	34,316	3,290,803
Special	598,470	-	-	-	598,470
Other	718,525	-	-	291,319	1,009,844
	<u>4,476,801</u>	<u>96,681</u>	<u>-</u>	<u>325,635</u>	<u>4,899,117</u>
Support services:					
Student	151,727	-	-	-	151,727
Instructional staff	198,805	24,711	-	-	223,516
Administration	635,715	5,710	-	81,480	722,905
Operation and maintenance of plant	491,481	-	-	44,284	535,765
Transportation	374,541	68,766	-	11,684	454,991
	<u>1,852,269</u>	<u>99,187</u>	<u>-</u>	<u>137,448</u>	<u>2,088,904</u>
Capital outlay	-	180,424	-	-	180,424
Long-term debt:					
Principal	-	-	505,000	-	505,000
Interest and fiscal charges	-	-	280,899	-	280,899
	<u>-</u>	<u>-</u>	<u>785,899</u>	<u>-</u>	<u>785,899</u>
Other expenditures:					
AEA flowthrough	252,752	-	-	-	252,752
Total expenditures	<u>6,581,822</u>	<u>376,292</u>	<u>785,899</u>	<u>463,083</u>	<u>8,207,096</u>
Excess(Deficiency) of revenues over(under) expenditures	(82,755)	266,585	(257,904)	(17,999)	(92,073)
Other financing sources(uses):					
Proceeds from sale of real property	-	75,133	-	-	75,133
Transfer in	-	-	259,309	-	259,309
Transfer out	-	(259,309)	-	-	(259,309)
Total other financing sources(uses)	<u>-</u>	<u>(184,176)</u>	<u>259,309</u>	<u>-</u>	<u>75,133</u>
Change in fund balances	(82,755)	82,409	1,405	(17,999)	(16,940)
Fund balances beginning of year	<u>757,094</u>	<u>537,169</u>	<u>1,574</u>	<u>249,590</u>	<u>1,545,427</u>
Fund balances end of year	<u>\$ 674,339</u>	<u>619,578</u>	<u>2,979</u>	<u>231,591</u>	<u>1,528,487</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

**Change in fund balances - total governmental funds(page 22)** \$ (16,940)

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts for capital outlay and depreciation expense in the current year are as follows:

Capital outlay	\$ 241,366	
Depreciation expense	<u>(515,086)</u>	(273,720)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 505,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 3,960

Bond issue costs and bond discounts are reported as expenses in the fund financial statements, but are capitalized and amortized over the life of the bonds for the government-wide financial statements. (1,331)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 17,681

The current year District employer share IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 333,638

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Termination benefits	29,677	
Pension expense	(169,546)	
Other postemployment benefits	<u>(22,703)</u>	<u>(162,572)</u>

**Change in net position of governmental activities(page 19)** \$ 405,716

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2015

	Business Type Activities: Enterprise Fund				Total
	School Nutrition	Fitness Center	Preschool	Before and After School	
<b>Assets</b>					
Current assets:					
Cash and pooled investments	\$ 112,126	1,510	24,366	24,298	162,300
Accounts receivable	48	-	-	56	104
Due from other funds	-	-	740	-	740
Inventories	7,579	-	-	-	7,579
Total current assets	119,753	1,510	25,106	24,354	170,723
Non-current assets:					
Capital assets net of accumulated depreciation:					
Building	-	166,254	-	-	166,254
Machinery and equipment	64,580	10,766	-	-	75,346
Total non-current assets	64,580	177,020	-	-	241,600
<b>Total assets</b>	184,333	178,530	25,106	24,354	412,323
<b>Deferred outflows of resources:</b>					
Pension related deferred outflows	16,792	-	784	8,099	25,675
<b>Liabilities</b>					
Current liabilities:					
Due to other funds	44,163	-	10,799	12,846	67,808
Accounts payable	841	406	-	608	1,855
Unearned revenue	4,794	-	-	-	4,794
Total current liabilities	49,798	406	10,799	13,454	74,457
Non-current liabilities:					
Net OPEB liability	1,105	-	267	-	1,372
Net pension liability	69,802	-	3,652	33,935	107,389
Total long-term liabilities	70,907	-	3,919	33,935	108,761
<b>Total liabilities</b>	120,705	406	14,718	47,389	183,218
<b>Deferred inflows of resources:</b>					
Pension related deferred inflows	26,621	-	1,392	12,942	40,955
<b>Net Position</b>					
Net investment in capital assets	64,580	177,020	-	-	241,600
Unrestricted	(10,781)	1,104	9,780	(27,878)	(27,775)
<b>Total net position</b>	\$ 53,799	178,124	9,780	(27,878)	213,825

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Operating revenue:					
Local sources:					
Charges for services	\$ 197,827	2,751	14,578	76,950	292,106
Donations	-	150	-	2,323	2,473
Miscellaneous	2,852	-	-	-	2,852
Total operating revenue:	<u>200,679</u>	<u>2,901</u>	<u>14,578</u>	<u>79,273</u>	<u>297,431</u>
Operating expenses:					
Instruction:					
Regular:					
Salaries	-	-	-	58,402	58,402
Benefits	-	-	-	7,352	7,352
Supplies	-	-	566	2,484	3,050
Other	-	-	-	335	335
Total instruction	<u>-</u>	<u>-</u>	<u>566</u>	<u>68,573</u>	<u>69,139</u>
Support services:					
Administration:					
Other	-	-	48	-	48
Operation and maintenance of plant:					
Salaries	-	-	5,428	-	5,428
Benefits	-	-	1,903	-	1,903
Services	-	1,321	512	-	1,833
Supplies	-	922	2,902	-	3,824
Depreciation	-	6,021	-	-	6,021
Total support services	<u>-</u>	<u>8,264</u>	<u>10,793</u>	<u>-</u>	<u>19,057</u>
Non-instructional programs:					
Food service operations:					
Salaries	122,455	-	-	-	122,455
Benefits	25,880	-	-	-	25,880
Services	5,408	-	-	-	5,408
Supplies	151,333	-	-	-	151,333
Depreciation	9,813	-	-	-	9,813
Other	1,664	-	-	-	1,664
Total non-instructional programs	<u>316,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,553</u>
Total operating expenses:	<u>316,553</u>	<u>8,264</u>	<u>11,359</u>	<u>68,573</u>	<u>404,749</u>
Operating income(loss)	<u>(115,874)</u>	<u>(5,363)</u>	<u>3,219</u>	<u>10,700</u>	<u>(107,318)</u>
Non-operating revenues(expenses):					
Loss on disposal of capital assets	-	(600)	-	-	(600)
State sources	2,641	-	-	-	2,641
Federal sources	113,092	-	-	-	113,092
Interest income	12	-	3	3	18
Total non-operating revenues(expenses):	<u>115,745</u>	<u>(600)</u>	<u>3</u>	<u>3</u>	<u>115,151</u>
Change in net position before other financing sources	(129)	(5,963)	3,222	10,703	7,833
Other financing sources:					
Capital contributions	-	3,094	-	-	3,094
Change in net position	(129)	(2,869)	3,222	10,703	10,927
Net position beginning of year, as restated	<u>53,928</u>	<u>180,993</u>	<u>6,558</u>	<u>(38,581)</u>	<u>202,898</u>
Net position end of year	<u>\$ 53,799</u>	<u>178,124</u>	<u>9,780</u>	<u>(27,878)</u>	<u>213,825</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2015

	School Nutrition	Fitness Center	Preschool	Before and After School	Total
Cash flows from operating activities:					
Cash received from charges for service	\$ 198,276	2,751	14,578	76,894	292,499
Cash received from donations	-	150	-	2,323	2,473
Cash received from miscellaneous	2,852	-	-	-	2,852
Cash payments to employees for services	(152,619)	-	(7,384)	(67,968)	(227,971)
Cash payments to suppliers for goods or services	(132,625)	(1,869)	(4,028)	(2,565)	(141,087)
Net cash provided by(used in) operating activities	(84,116)	1,032	3,166	8,684	(71,234)
Cash flows from non-capital financing activities:					
Repayments to other funds	(3,305)	-	(2,676)	(12,538)	(18,519)
State grants received	2,641	-	-	-	2,641
Federal grants received	88,457	-	-	-	88,457
Net cash provided by(used in) non-capital financing activities	87,793	-	(2,676)	(12,538)	72,579
Cash flows from investing activities:					
Interest on investment	12	-	3	3	18
Net increase(decrease) in cash and pooled investments	3,689	1,032	493	(3,851)	1,363
Cash and pooled investments beginning of year	108,437	478	23,873	28,149	160,937
Cash and pooled investments end of year	\$ 112,126	1,510	24,366	24,298	162,300
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (115,874)	(5,363)	3,219	10,700	(107,318)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities used	24,635	-	-	-	24,635
Depreciation	9,813	6,021	-	-	15,834
Decrease in inventories	902	-	-	-	902
Increase in accounts receivable	(48)	-	-	(56)	(104)
Increase in accounts payable	243	374	-	254	871
Increase in unearned revenues	497	-	-	-	497
Decrease in net pension liability	(24,802)	-	(1,297)	(12,057)	(38,156)
Increase in deferred outflows of resources	(6,507)	-	(246)	(3,099)	(9,852)
Increase in deferred inflows of resources	26,621	-	1,392	12,942	40,955
Increase in other postemployment benefits	404	-	98	-	502
Net cash provided by(used in) operating activities	\$ (84,116)	1,032	3,166	8,684	(71,234)

## NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2015, the District received Federal commodities valued at \$24,635.

During the year ended June 30, 2015, the Fitness Center Fund received contributed capital of \$3,094 from the Capital Projects: Physical Plant and Equipment Levy Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 98,784
<b>Liabilities</b>	-
<b>Net position</b>	
Held in trust for scholarships	\$ 98,784

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUND  
 YEAR ENDED JUNE 30, 2015

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 1,015
Contributions	2,250
Total additions	<u>3,265</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>6,750</u>
Change in net position	(3,485)
Net position beginning of year	<u>102,269</u>
Net position end of year	<u>\$ 98,784</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**Note 1. Summary of Significant Accounting Policies**

The Lawton-Bronson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Lawton and Bronson, Iowa, and the predominate agricultural territory in Woodbury County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Lawton-Bronson Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following nonmajor proprietary funds:

One of the District's proprietary funds is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

Another proprietary fund is the Fitness Center Fund. This fund is used to account for the operations of the fitness center that is used by employees of the District as well as members of the community.

The District also reports the Preschool Fund and the Before and After School Fund. These two funds are used to account for the revenues and expenses related to the pre-kindergarten children and after school programs of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

### **C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to available if collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from and Due to Other Funds - To the extent that certain transactions between funds had not been paid or received as of June 30, 2015, balances of interfund accounts receivable or payable have been recorded.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, are reported in the applicable business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 + years
Machinery and equipment	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation

Unassigned - All amounts not included in the preceding classifications.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction and other expenditures functional area. Expenditures also exceeded the fiscal year 2015 budget in total.

### **Note 2. Cash and Pooled Investments**

The District's deposits at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$34,394 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody's Investors Service.

### **Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 283,677	-	-	283,677
Total capital assets not being depreciated	<u>283,677</u>	-	-	<u>283,677</u>
Capital assets being depreciated:				
Buildings	15,887,151	46,313	89,186	15,844,278
Land improvements	615,537	69,180	-	684,717
Machinery and equipment	1,858,828	125,873	29,312	1,955,389
Total capital assets being depreciated	<u>18,361,516</u>	<u>241,366</u>	<u>118,498</u>	<u>18,484,384</u>
Less accumulated depreciation for:				
Buildings	3,157,011	328,493	89,186	3,396,318
Land improvements	262,214	33,980	-	296,194
Machinery and equipment	1,320,790	152,613	29,312	1,444,091
Total accumulated depreciation	<u>4,740,015</u>	<u>515,086</u>	<u>118,498</u>	<u>5,136,603</u>
Total capital assets being depreciated, net	<u>13,621,501</u>	<u>(273,720)</u>	<u>-</u>	<u>13,347,781</u>
Governmental activities capital assets, net	<u>\$ 13,905,178</u>	<u>(273,720)</u>	<u>-</u>	<u>13,631,458</u>
<b>Business type activities:</b>				
Capital assets being depreciated:				
Buildings	\$ 202,749	-	-	202,749
Machinery and equipment	310,781	3,094	8,299	305,576
Total capital assets being depreciated	<u>513,530</u>	<u>3,094</u>	<u>8,299</u>	<u>508,325</u>
Less accumulated depreciation for:				
Buildings	32,440	4,055	-	36,495
Machinery and equipment	226,150	11,779	7,699	230,230
Total accumulated depreciation	<u>258,590</u>	<u>15,834</u>	<u>7,699</u>	<u>266,725</u>
Business type activities capital assets, net	<u>\$ 254,940</u>	<u>(12,740)</u>	<u>600</u>	<u>241,600</u>

Depreciation expense was charged by the District as follows:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 24,322
Other	7,507
Support services:	
Instructional staff	31,768
Administration	9,099
Operation and maintenance of plant	7,573
Transportation	<u>72,344</u>
	152,613
Unallocated depreciation	<u>362,473</u>
Total governmental activities depreciation expense	<u>\$ 515,086</u>
<b>Business type activities:</b>	
Food service operations	\$ 9,813
Fitness center	<u>6,021</u>
Total business type activities depreciation expense	<u>\$ 15,834</u>

**Note 4. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 259,309

\$239,309 of the transfer of from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for principal and interest payments on the District's revenue bond indebtedness. The remaining \$20,000 of the transfer was needed for general obligation debt relief per the District's budgeting process.

**Note 5. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 5,000
General	School Nutrition	43,423
General	Before and After School	12,846
General	Preschool	10,799
General	Capital Projects: Physical Plant and Equipment Levy	35,036
General	Student Activity	414
Preschool	School Nutrition	740
Total		<u>\$ 108,258</u>

The Debt Service Fund is repaying the General Fund for cash borrowed until July debt service property taxes are received by the District from a prior fiscal year.

The Nutrition Fund is repaying the General Fund for salaries and benefits not repaid before year end.

The Before and After School Fund is repaying the General Fund for salaries and benefits not repaid before year end.

The Preschool Fund is repaying the General Fund for water, electric, and janitorial costs not repaid before year end.

The Capital Projects: Physical Plan and Equipment Levy Fund is repaying the General Fund for computers and other technology purchased by the school which was incorrectly paid by the General Fund and not repaid before year end.

The Student Activity Fund is repaying the General Fund for athletic officials paid through the District's payroll process in the General Fund which should have been paid by appropriate activity account within the Activity Fund.

The School Nutrition Fund is repaying the Preschool Fund for preschool deposits incorrectly receipted into the Nutrition Fund and not repaid before year end.

**Note 6. Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year, Restated	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 5,685,000	-	305,000	5,380,000	320,000
Revenue bonds	1,095,000	-	200,000	895,000	215,000
Termination benefits	60,800	-	29,677	31,123	13,295
Net pension liability	2,765,343	-	724,971	2,040,372	-
Net OPEB liability	39,428	22,703	-	62,131	-
<b>Total</b>	<b>\$ 9,645,571</b>	<b>22,703</b>	<b>1,259,648</b>	<b>8,408,626</b>	<b>548,295</b>
<b>Business Type Activities:</b>					
Net pension liability	\$ 145,545	-	38,156	107,389	-
Net OPEB liability	870	502	-	1,372	-
<b>Total</b>	<b>\$ 146,415</b>	<b>502</b>	<b>38,156</b>	<b>108,761</b>	<b>-</b>

**General Obligation Bonds Payable**

Details of the District's June 30, 2015 general obligation bonded debt is as follows:

Year Ending June 30,	Bond issue May 1, 2008				
	Interest Rate		Principal	Interest	Total
2016	4.15	% \$	320,000	228,433	548,433
2017	4.15		330,000	215,152	545,152
2018	4.15		345,000	201,458	546,458
2019	4.15		360,000	187,140	547,140
2020	4.15		375,000	172,200	547,200
2021-2025	4.15-4.30		2,135,000	612,791	2,747,791
2026-2028	4.35-4.45		1,515,000	135,625	1,650,625
<b>Total</b>			<b>\$ 5,380,000</b>	<b>1,752,799</b>	<b>7,132,799</b>

**Revenue Bonds Payable**

Details of the District's June 30, 2015 revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue June 26, 2008				
	Interest Rate		Principal	Interest	Total
2016	3.83	% \$	215,000	31,497	246,497
2017	3.93		220,000	23,067	243,067
2018	4.03		225,000	14,223	239,223
2019	4.13		235,000	4,846	239,846
<b>Total</b>			<b>\$ 895,000</b>	<b>73,633</b>	<b>968,633</b>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,015,000 bonds issued in June 2008. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales,

services and use tax revenues received by the District and are payable through 2019. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payment on the bonds are expected to require 43 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$968,633. For the current year \$200,000 in principal and \$39,309 in interest was paid on the bonds and the total statewide sales, services and use tax revenues were \$577,717.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- b) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Any monies in excess after the required transfers to the Sinking Account and Reserve Account may be transferred to the Project Account to be used for any lawful purpose.

### **Termination Benefits**

During fiscal year 2013, the District approved a voluntary early retirement plan for full-time licensed employees that was available for one year only. Eligible employees had to be at least age fifty-five and have fifteen years of continuous service to the District. Eligible employees were required to submit an application to the Superintendent before February 1<sup>st</sup> of the year the employee wishes to retire. The application for each retiree was submitted and approved by the District's Board of Directors.

Early retirement benefits were equal to 75% of the final year base salary for retirees. Retirees could elect to continue health insurance coverage at the retiree's current level of coverage in the last year of the retiree's employment and could continue until the retiree becomes Medicare eligible. Retirees who elected to not continue health insurance coverage could have the entire early retirement incentive paid to a TSA or other deferred compensation plan of the retiree's choice.

At June 30, 2015, the District had obligations to two retirees with a total liability of \$31,123. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$29,677.

### **Note 7. Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$349,614.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,147,761 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.053069 percent, which was an increase of 0.001658 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$178,469. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,342	\$ -
Changes of assumptions	94,786	-
Net difference between projected and actual earnings on pension plan investments	-	819,094
Changes in proportion and differences between District contributions and proportionate share of contributions	75,823	-
District contributions subsequent to the measurement date	<u>349,614</u>	<u>-</u>
Total	<u>\$ 543,565</u>	<u>\$ 819,094</u>

\$349,614 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (159,458)
2017	(159,458)
2018	(159,458)
2019	(159,458)
2020	12,689
	<u>\$ (625,143)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are

combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 4,058,134	\$ 2,147,761	\$ 535,208

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$53,231 for legally required employer contributions and \$35,467 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Note 8. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 54 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - the contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 34,227
Interest on net OPEB obligation	1,007
Adjustment to annual required contribution	(1,585)
Annual OPEB cost	<u>33,649</u>
Contributions made	<u>(10,444)</u>
Increase in net OPEB obligation	23,205
Net OPEB obligation - beginning of year	<u>40,298</u>
Net OPEB obligation - end of year	<u><u>\$ 63,503</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$10,444 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

Year Ended Fiscal Year June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	31,819	27.97%	18,048
2014	33,204	32.99%	40,298
2015	33,649	31.04%	63,503

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$187,171, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,171. The covered payroll (annual payroll of active employees covered by the plan) was \$3,109,154, and the ratio of the UAAL to the covered payroll was 6.02%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6% per year.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from the assumption that employees retire at age 62 after 25 years of service. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 9. Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2015 were \$416,187.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

Lawton-Bronson Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$252,752 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Deficit Balances**

At June 30, 2015, there were eight Student Activity Fund accounts with a total deficit unassigned fund balance of \$30,956.

At June 30, 2015, the District deficit unrestricted net position of \$10,781 in the School Nutrition Fund and deficit unrestricted and total net position of \$27,878 in the Before and After School Fund. As a result the District deficit unrestricted net position of \$27,775 for its total business type activities and deficit unrestricted net position of \$2,091,111 for its governmental activities. These deficit net positions are primarily due to the implementation of GASB Statements No. 68 and No. 71 during the year.

**Note 12. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2015, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted. The fiscal year 2015 budget was also exceeded in total.

**Note 13. Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited english proficient	\$ 21,229
Home school assistance program	62,002
At-risk supplemental weighting	590
Gifted and talented programs	109,589
Returning dropout and dropout prevention	81,890
Teacher salary supplement	37,069
Professional development, model core curriculum	5,476
Successful progression for early readers	10,970
Four-year-old preschool state aid	158,871
Total	<u>\$ 487,686</u>

**Note 14. Detailed Reconciliation of Certain Governmental Fund Balances to Net Position**

The following is the detailed reconciliation of certain Governmental Funds Balance Sheet to the Statement of Net Position:

	<u>Net Investment</u>	<u>Management</u>	<u>Debt</u>	<u>Unassigned/</u>
	<u>in Capital Assets</u>	<u>Levy</u>	<u>Service</u>	<u>Unrestricted</u>
<b>Fund balance (Exhibit C)</b>	\$ -	194,832	2,979	186,653
Capital assets, net of accumulated depreciation	13,631,458	-	-	-
Capitalized general obligation bond indebtedness	(5,380,000)	-	-	-
Capitalized revenue bond indebtedness	(895,000)	-	-	-
Termination benefits	-	(31,123)	-	-
Accrued interest payable	-	-	(2,979)	(43,995)
Income surtax	-	-	-	143,960
Unamortized bond issue cost and discounts	-	-	-	15,979
Pension related deferred outflows	-	-	-	517,890
Net pension liability - IPERS	-	-	-	(2,040,372)
Pension related deferred inflows	-	-	-	(778,139)
Net OPEB liability	-	-	-	(62,131)
Deficit student activities	-	-	-	(30,956)
<b>Net position (Exhibit A)</b>	<u>\$ 7,356,458</u>	<u>163,709</u>	<u>-</u>	<u>(2,091,111)</u>

**Note 15. Operating Leases**

On January 12, 2015 the District entered into a three year lease agreement with De Lage Landen Public Finance LLC for a school bus. Annual payments made by the District on this lease total \$14,345.

During fiscal year 2015, the District entered into a lease agreement with HP Financial Services for 200 HP Notebooks and 200 HP Probooks along with a three year warranty as part of the District's computer initiative. The total cost of this lease is \$242,397. Annual payments of \$80,799 will be made on this lease agreement.

**Note 16. Subsequent Event**

On October 15, 2015, the District reached a settlement agreement with employee Sharon Fischer who alleged she had not been paid by the District for wages related to overtime worked. The District reached a settlement with this employee and her legal counsel for \$35,000. This payment was made in October 2015 from the District's Management Levy Fund. \$21,000 was paid to Sharon Fischer and \$14,000 to the Crary Huff Law Firm in accordance with the release and settlement agreement.

**Note 17. Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities				Total
		School Nutrition	Fitness Center	Preschool	Before & After School	
Net position June 30, 2014, as previously reported	\$ 8,663,032	\$ 138,247	180,993	10,969	2,411	332,620
Net pension liability at June 30, 2014	(2,765,343)	(94,604)	-	(4,949)	(45,992)	(145,545)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	300,630	10,285	-	538	5,000	15,823
Net position July 1, 2014, as restated	<u>\$ 6,198,319</u>	<u>\$ 53,928</u>	<u>180,993</u>	<u>6,558</u>	<u>(38,581)</u>	<u>202,898</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,989,432	297,449	4,286,881	4,551,613	4,551,613	(264,732)
Intermediate sources	4,907	-	4,907	125,000	125,000	(120,093)
State sources	3,934,516	2,641	3,937,157	3,530,796	3,530,796	406,361
Federal sources	186,168	113,092	299,260	270,000	270,000	29,260
Total revenues	<u>8,115,023</u>	<u>413,182</u>	<u>8,528,205</u>	<u>8,477,409</u>	<u>8,477,409</u>	<u>50,796</u>
Expenditures/Expenses:						
Instruction	4,899,117	69,139	4,968,256	4,695,000	4,695,000	(273,256)
Support services	2,088,904	19,057	2,107,961	2,407,125	2,407,125	299,164
Non-instructional programs	-	317,153	317,153	325,000	325,000	7,847
Other expenditures	1,219,075	-	1,219,075	1,180,348	1,180,348	(38,727)
Total expenditures/expenses	<u>8,207,096</u>	<u>405,349</u>	<u>8,612,445</u>	<u>8,607,473</u>	<u>8,607,473</u>	<u>(4,972)</u>
Excess(Deficiency) of revenues(expenses) over(under)expenditures/expenses	(92,073)	7,833	(84,240)	(130,064)	(130,064)	45,824
Other financing sources, net	<u>75,133</u>	<u>3,094</u>	<u>78,227</u>	-	-	-
Excess(Deficiency) of revenues(expenses) and other financing sources over(under) expenditures/expenses	(16,940)	10,927	(6,013)	(130,064)	(130,064)	45,824
Balances beginning of year, as restated	<u>1,545,427</u>	<u>202,898</u>	<u>1,748,325</u>	<u>1,913,706</u>	<u>1,913,706</u>	<u>(165,381)</u>
Balances end of year	<u>\$ 1,528,487</u>	<u>213,825</u>	<u>1,742,312</u>	<u>1,783,642</u>	<u>1,783,642</u>	<u>(119,557)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction and other expenditures functional areas exceeded the amounts budgeted. The District also exceeded total budgeted expenditures.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR \*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.053069%
District's proportionate share of the net pension liability	\$ 2,147,761
District's covered-employee payroll	\$ 3,915,045
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.86%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 349,614	316,453	288,487	272,241	225,097	212,056	207,823	186,054	165,968	148,325
Contributions in relation to the statutorily required contribution	(349,614)	(316,453)	(288,487)	(272,241)	(225,097)	(212,056)	(207,823)	(186,054)	(165,968)	(148,325)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,915,045	3,543,707	3,327,416	3,373,494	3,238,806	3,051,165	3,272,803	3,075,273	2,886,400	2,579,565
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

*Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

*Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 393,214	\$ 393,214	0.0%	\$ 2,617,352	15.02%
2011	July 1, 2009	-	360,949	360,949	0.0%	2,761,457	13.07%
2012	July 1, 2009	-	321,082	321,082	0.0%	2,793,442	11.49%
2013	July 1, 2012	-	222,152	222,152	0.0%	2,907,586	7.64%
2014	July 1, 2012	-	206,502	206,502	0.0%	2,990,288	6.91%
2015	July 1, 2012	-	187,171	187,171	0.0%	3,109,154	6.02%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT**

SUPPLEMENTARY INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
<b>Assets</b>			
Cash and pooled investments	\$ 193,022	48,612	241,634
Receivables:			
Property tax:			
Delinquent	1,810	-	1,810
Succeeding year	175,000	-	175,000
Accounts	-	3,545	3,545
Due from other governments	-	50	50
<b>Total assets</b>	<b>\$ 369,832</b>	<b>52,207</b>	<b>422,039</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ -	414	414
Accounts payable	-	15,034	15,034
Total liabilities	-	15,448	15,448
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	175,000	-	175,000
Fund balances:			
Restricted for:			
Management levy purposes	194,832	-	194,832
Student activities	-	67,715	67,715
Unassigned:			
Student activities	-	(30,956)	(30,956)
Total fund balances	194,832	36,759	231,591
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 369,832</b>	<b>52,207</b>	<b>422,039</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2015

	Special Revenue		Total
	Management Levy	Student Activity	
Revenues:			
Local sources:			
Local tax	\$ 175,488	-	175,488
Other	8,550	261,046	269,596
Total revenues	184,038	261,046	445,084
Expenditures			
Current:			
Instruction:			
Regular	34,316	-	34,316
Other	-	291,319	291,319
Support services:			
Administration	81,480	-	81,480
Operation and maintenance of plant	44,284	-	44,284
Transportation	11,684	-	11,684
Total expenditures	171,764	291,319	463,083
Change in fund balances	12,274	(30,273)	(17,999)
Fund balances beginning of year	182,558	67,032	249,590
Fund balances end of year	\$ 194,832	36,759	231,591

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 367,049	205,781	572,830
Receivables:			
Property tax:			
Delinquent	-	653	653
Succeeding year	-	65,788	65,788
Due from other governments	89,287	-	89,287
<b>Total assets</b>	<b>\$ 456,336</b>	<b>272,222</b>	<b>728,558</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Due to other funds	\$ -	35,036	35,036
Accounts payable	8,156	-	8,156
Total liabilities	8,156	35,036	43,192
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	65,788	65,788
Fund balances:			
Restricted for:			
School infrastructure	448,180	-	448,180
Physical plant and equipment	-	171,398	171,398
Total fund balances	448,180	171,398	619,578
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 456,336</b>	<b>272,222</b>	<b>728,558</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	64,822	64,822
Other	316	22	338
State sources	577,717	-	577,717
Total revenues	<u>578,033</u>	<u>64,844</u>	<u>642,877</u>
Expenditures:			
Current:			
Instruction:			
Regular	94,081	2,600	96,681
Support services:			
Instructional staff	-	24,711	24,711
Adminstration	-	5,710	5,710
Transportation	24,768	43,998	68,766
Capital outlay	131,841	48,583	180,424
Total expenditures	<u>250,690</u>	<u>125,602</u>	<u>376,292</u>
Excess(Deficiency) of revenues over(under) expenditures	327,343	(60,758)	266,585
Other financing sources(uses):			
Sale of real property	-	75,133	75,133
Transfer out	(259,309)	-	(259,309)
Total other financing sources(uses)	<u>(259,309)</u>	<u>75,133</u>	<u>(184,176)</u>
Change in fund balances	68,034	14,375	82,409
Fund balance beginning of year	<u>380,146</u>	<u>157,023</u>	<u>537,169</u>
Fund balance end of year	<u>\$ 448,180</u>	<u>171,398</u>	<u>619,578</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 JUNE 30, 2015

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	John Ohlfest Scholarship	Lawton Centennial Scholarship	Other Scholarships	Total
<b>Assets</b>							
Cash and pooled investments	\$ 53,092	6,306	33,086	4,520	1,708	72	98,784
<b>Liabilities</b>							
	-	-	-	-	-	-	-
<b>Net Position</b>							
Held in trust for scholarships	\$ 53,092	6,306	33,086	4,520	1,708	72	98,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Andrus Scholarship Fund	Teacher's Memorial Scholarship	Shoemaker Scholarship Fund	John Ohlfest Scholarship	Lawton Centennial Scholarship	Other Scholarships	Total
Additions:							
Local sources:							
Interest income	\$ 504	85	405	17	4	-	1,015
Contributions	-	-	-	2,250	-	-	2,250
Total revenues	504	85	405	2,267	4	-	3,265
Deductions:							
Instruction:							
Regular:							
Scholarships awarded	4,000	250	500	2,000	-	-	6,750
Change in net position	(3,496)	(165)	(95)	267	4	-	(3,485)
Net position beginning of year	56,588	6,471	33,181	4,253	1,704	72	102,269
Net position end of year	\$ 53,092	6,306	33,086	4,520	1,708	72	98,784

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Dollars for scholars	\$ -	1,040	1,040	-	-
Elementary yearbook	2,501	1,820	1,763	-	2,558
Student council	415	2,967	2,545	-	837
Drama and speech	2,310	1,396	1,945	-	1,761
Archery	482	3,248	2,310	-	1,420
Soup and pie supper	327	2,961	304	(2,837)	147
Vocal Music	11,077	28,119	27,750	(7,940)	3,506
Instrumental music	5,198	16,110	21,984	1,701	1,025
Drill team	8,402	22,293	20,550	-	10,145
Elementary music	860	576	771	800	1,465
Show choir	380	200	820	240	-
Yearbook	1,155	11,250	11,839	(60)	506
Cheerleaders	140	12,715	11,945	-	910
National honor society	1,111	2,537	2,967	-	681
Class of 2013	780	-	-	-	780
Class of 2014	1,333	-	-	-	1,333
Class of 2015	2,810	6	2,132	-	684
Class of 2016	1,652	1,865	1,296	-	2,221
Class of 2017	598	872	347	-	1,123
Class of 2018	-	260	-	-	260
HS football	(643)	27,154	21,155	-	5,356
Girls basketball	17,855	5,813	9,678	-	13,990
Track	(3,814)	3,927	45	-	68
Girls volleyball	2,638	2,004	4,375	-	267
Boys baseball	6,408	10,265	10,462	(16)	6,195
Girls softball	3,757	17,122	15,588	16	5,307
Miscellaneous	659	-	-	-	659
Activity tickets	-	6,127	-	(6,127)	-
Elementary building	73	-	-	-	73
Junior high student council	155	54	22	-	187
Athletic complex improvements	3,422	1,640	811	-	4,251
Junior high	(3,284)	2,942	3,188	-	(3,530)
HS athletics	3,924	37,627	49,565	5,229	(2,785)
Wrestling	(318)	4,066	5,317	-	(1,569)
Boys basketball	1,057	568	5,763	-	(4,138)
Boys golf	(3,438)	1,385	2,245	-	(4,298)
Cross country	(694)	1,995	1,723	-	(422)
Contingency	(2,256)	9	-	-	(2,247)
Choir/Band Trips	-	28,113	49,074	8,994	(11,967)
Total	\$ 67,032	261,046	291,319	-	36,759

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE LAST TEN YEARS**

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 3,029,928	2,960,475	3,460,802	3,294,514	3,075,458	2,945,975	2,971,929	2,786,311	2,471,965	2,223,894
Tuition	507,185	480,403	445,143	475,951	358,473	333,479	367,377	382,909	280,918	225,742
Other	452,319	385,061	355,206	318,608	376,173	542,933	563,834	660,877	650,662	529,519
Intermediate sources	4,907	4,280	-	-	4,003	4,229	-	-	-	-
State sources	3,934,516	3,914,751	3,241,055	3,368,527	2,950,879	2,468,163	3,081,649	3,022,660	2,796,166	2,607,387
Federal sources	186,168	144,691	100,875	271,908	191,462	457,574	143,264	136,261	134,070	163,665
<b>Total</b>	<b>\$ 8,115,023</b>	<b>7,889,661</b>	<b>7,603,081</b>	<b>7,729,508</b>	<b>6,956,448</b>	<b>6,752,353</b>	<b>7,128,053</b>	<b>6,989,018</b>	<b>6,333,781</b>	<b>5,750,207</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 3,290,803	2,994,004	2,835,940	2,771,861	2,710,542	2,701,092	2,756,153	2,509,918	2,498,452	2,212,621
Special	598,470	552,716	534,813	558,868	503,650	470,689	486,105	614,365	535,445	452,323
Other	1,009,844	805,466	839,394	758,666	751,179	773,687	619,570	577,951	504,123	449,844
<b>Support services:</b>										
Student	151,727	161,282	147,253	176,664	172,523	159,227	149,934	147,969	153,304	173,868
Instructional staff	223,516	224,769	140,526	198,154	185,848	249,372	182,556	171,789	165,191	184,969
Administration	722,905	699,504	641,810	608,152	545,345	571,684	587,668	647,296	571,524	570,536
Operation and maintenance of plant	535,765	555,693	463,667	459,667	458,730	422,498	457,126	451,017	427,015	353,394
Transportation	454,991	435,397	455,544	562,369	315,746	324,671	364,220	302,418	475,415	325,478
Capital outlay	180,424	191,089	180,302	325,353	120,154	1,992,527	7,538,683	1,101,113	327,700	190,632
<b>Long-term debt:</b>										
Principal	505,000	495,000	470,000	455,000	435,000	420,000	240,000	2,900,000	250,000	235,000
Interest and fiscal charges	280,899	300,366	318,491	336,160	352,307	367,638	362,660	197,273	163,860	176,080
<b>Other expenditures:</b>										
AEA flow-through	252,752	247,878	238,053	237,875	246,838	239,356	220,023	210,904	194,268	175,489
<b>Total</b>	<b>\$ 8,207,096</b>	<b>7,663,164</b>	<b>7,265,793</b>	<b>7,448,789</b>	<b>6,797,862</b>	<b>8,692,441</b>	<b>13,964,698</b>	<b>9,832,013</b>	<b>6,266,297</b>	<b>5,500,234</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

**To the Board of Education of Lawton-Bronson Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lawton-Bronson Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lawton-Bronson Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton-Bronson Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lawton-Bronson Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-15 to I-D-15 to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lawton-Bronson Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could

have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Lawton-Bronson Community School District's Responses to Findings**

Lawton-Bronson Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Lawton-Bronson Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lawton-Bronson Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016  
Newton, Iowa

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part I: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over two or more of the following areas for the District.

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Wire transfers - processing and approving.
- 8) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 9) Transfers - preparing and approving.
- 10) Financial reporting - preparing, reconciling and approving.
- 11) Computer systems - performing all general accounting functions and controlling all data input and output.
- 12) School lunch program - collecting, recording, journalizing, posting, reconciling, purchase order processing, check preparation, mailing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing current personnel, including elected officials.

Response - The District will review procedures to maximize internal controls with the current personnel and elected officials.

Conclusion - Response accepted.

I-B-15 Supporting Documents for Credit Card Payments - During our audit we noted several instances of purchases on the District credit card made by the Superintendent and other individuals that lacked an invoice or detailed receipt to be used as supporting documentation beyond the credit card statement. We also noted the Superintendent wrote a personal check to the District reimbursing them for some of these transactions.

Recommendation - The District should review their credit card policy with all District employees to ensure credit card procedures are being followed. The District should also take time to review its credit card procedures in place to ensure that all bills are supported, approved, and paid from an appropriate receipt or invoice. The District should adopt processes and procedures for the use of a District credit card when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice. This additional approval should be noted in written form as part of the purchase made.

Response - The District has reviewed the credit card policy with staff. Monthly statements are fully reviewed to ensure that proper documentation is included. The District will discuss and form processes and procedures for when an invoice may not be available and ensure that supporting documentation other than an invoice can be provided.

Conclusion - Response accepted.

I-C-15 Meal and Lodging Reimbursements - During our audit we noted several instances of lodging and meal reimbursements which were over limits set forth in District board policy 401.11. District board policy 401.11 states in part..

“Pre-approved expense for lodging within the state is limited to One hundred ten dollars (\$110.00) per night. Pre-approved expense for lodging outside the state is limited to the rate of a medium priced hotel in the area. Lodging may be pre-approved for a larger amount if special circumstances require the employee to stay at a particular hotel.

...

Pre-approved expenses for meals within the state are limited to seven dollars (\$7.00) for breakfast, twelve dollars (\$12.00) for lunch and twenty-four dollars (\$24.00) for dinner. Pre-approved expenses for meals outside the state are limited to seven dollars (\$7.00) for breakfast, twelve dollars (\$12.00) for lunch and twenty-four dollars (\$24.00) for dinner. Meals may be pre-approved for a larger amount by the superintendent.”

The reimbursements noted for lodging exceeding the amounts allowed by District policy 401.11 were not documented as a special circumstance allowing the individual to exceed District expense limits. We also noted reimbursements for meals above the limits set above.

Recommendation - The District should review the travel reimbursement policy with the Board of Directors. If it is deemed it is not practical to find hotels and meals within the limits listed above the District should consider reviewing and updating policy 401.11 with more practical limits. The District should also review this policy with all District employees to all employees are aware of and agree to operate within the limits on travel expenditures set by the District. If for some reason, a purchase must be made exceeding the limits the District should ensure proper documentation is maintained with the purchases explaining the special circumstance allowing the excess costs and the approval of the appropriate administrator in accordance with District policy.

Response - The District has reviewed the policy with District employees so that they are aware of the expectations of travel spending. The District will ensure documentation for instances exceeding the limits of the District with proper documentation for those

approved to exceed and will require reimbursement for any spending that is not approved to exceed the limits. The District will also review the policy with the Board of Directors to ensure that the limits set forth in policy are practical.

Conclusion - Response accepted.

- I-D-15 Band/Choir Music Trip Expenditures - We noted during our audit through discussion with District personnel the District prepaid for hotel room for the Districts Music Trip during fiscal year 2015. The number of hotel rooms purchased by the District was based on the number of students expected to attend the event. The District also rented two charter buses for the trip. However, when the trip occurred the number of students who participated was lower than expected, and it was too late for the District to cancel the extra hotel reservations. The purchase of unused hotel rooms would appear to be an unnecessary cost incurred by the District. Also, based on the number of students who attended the event it would appear one charter bus would have sufficed instead of two, also potentially subjecting the District to unnecessary costs.

We also noted an intrafund transfer between the Vocal Music and Band/Choir Trip accounts within the Student Activity Fund which does not appear to have been approved by the District. Instead this intrafund transfers appears to have been made by the sponsor of these activity groups. We also noted the Band/Choir Trip account had a deficit balance of \$11,967 at June 30, 2015.

Recommendation - The District should implement procedures and controls on District fundraisers to better account for the appropriate expenses and revenues required for District trips and other activity requirements. If the District allows travel for District activities there should be a set deadline for each event where each individual student must commit to the trip or activity. This deadline should be a hard deadline with little to no exceptions. This would allow the District to better estimate the appropriate revenues and expenses which will be incurred by the trip allowing the District to better budget costs by fundraising the appropriate revenue and booking the appropriate number of hotel room and transportation costs which would be needed.

The District should also review their Activity Fund controls and procedures with the Vocal Music and Band/Choir Trip sponsor. The sponsor should be aware of the District's controls, policies and procedures pertaining to the use of funds and movement of funds between activity accounts. We also suggest the District develop a workout plan with this sponsor to help ensure the activity account operates at a positive balance each year.

Response - The District will implement procedures for student trips. These procedures will ensure better estimation of appropriate revenues and expenditures with set deadlines to ensure that student trips are always paid in full. There has been a change in staff and procedures have been reviewed with the current staff so they are fully aware of the District's controls, policies and procedures.

Conclusion - Response accepted.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015 exceeded the certified budget amounts in the instruction and other expenditures functional areas as well as in total.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will monitor spending throughout the year and will amend the certified budget before expenditures exceed the certified budget.

Conclusion - Response accepted.

II-B-15 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in the Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. However, we noted the following during our audit:

The District paid for adult beverages at Kahill's for a speaker attending a District event. When the District paid the bills, the amount paid was not discounted from the total cost of the meal. Alcohol is not an allowable purchase for the District, and the District Superintendent upon realization of this error wrote a personal check to the District to reimburse the District for the costs of the adult beverages purchased at this event.

Recommendation - The District should review procedures in place when paying for meals outside the District. The District may want to adopt a policy that if individuals wish to have adult beverages with their meals while at a District event that the cost of the adult beverages be put on a separate ticket than the one that will be turned into the District for reimbursement to avoid potential confusion for District staff processing the reimbursement. The District should then have the receipt with the adult beverages paid for by the individual or a non-district account.

Response - The District has reviewed with staff that alcoholic beverages are not an allowable expense. If alcoholic beverages are purchased by an employee, they should be on a separate ticket from any meal purchase that would be covered by the District.

Conclusion - Response accepted.

II-D-15 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Cory Hoch, Para Professional Works for Sportsman's Sporting Goods	Supplies	\$ 1,641
Liz Hanna, Secretary Lexi Hanna -Choreographer	Services	\$ 1,050
Tessa Hanna - Choreographer	Services	\$ 150
Jesse Pedersen, Board Member Jr. High Football and Track Coach	Services	\$ 2,294

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the para professional do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District employee do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa the above transactions with board member, Jesse Pedersen, do not appear to represent a conflict of interest.

- II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-15 Board Minutes - We noted not transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students certified was overstated by 1.22 students for the fall 2014 count date.
- Recommendation - The Iowa Department of Education and the Department of Management should be contracted to resolve this matter.
- Response - Our auditors will be contacting the Iowa Department of Education and the Iowa Department of Management to resolve this issue.
- Conclusion - Response accepted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting data certified to the Department of Education were noted.
- II-I-15 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-15 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$	380,146
Revenues:			
Sales tax revenues	\$	577,717	
Other local revenues		316	578,033
			<u>958,179</u>
Expenditures/transfer out:			
Equipment	\$	165,721	
Other		84,969	
Transfer to other funds:			
Debt service fund		259,309	509,999
			<u>509,999</u>
Ending Balance		\$	<u><u>448,180</u></u>

For the year ended June 30, 2015, the District reduced the following levies as a result of the of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	<u>Rate of Levy</u>	<u>Property</u>
	<u>Reduction per \$1,000</u>	<u>Tax</u>
	<u>of Taxable Valuation</u>	<u>Dollars</u>
Debt service levy	\$ 0.10209	\$ 20,000

II-M-15 Financial Condition - At June 30, 2015 noted eight deficit accounts within the Student Activity Fund with a total deficit unassigned balance of \$30,956. At June 30, 2015 the District also had the following deficit balances: The District had deficit unrestricted net position of \$10,781 in the School Nutrition Fund and deficit unrestricted and total net position of \$27,878 in the Before and After School Fund. The District also had total deficit unrestricted net position of \$27,775 in its business type activities and deficit unrestricted net position in the District's governmental activities of \$2,091,111 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

The District should continue to monitor these accounts within the Student Activity Fund funds and investigate alternatives to eliminate the deficits. The District should also review the controls in place for the Student Activity Fund. Additional controls for approving purchases may be needed. In addition, the District should create a workout plan to address the deficit Student Activity Fund account balances.

Response - The District will continue to communicate to the Board of Education how GASB statements No. 68 and 71 have impacted the District's financial statements. The District is currently working on a long-term plan to eliminate all negative activity accounts and ensure that once they are positive they do not become negative again. This process will take multiple years to accomplish.

Conclusion - Response accepted.